

RECEIVED

FEDERAL MARITIME COMMISSION


Memorandum

63 DEC 10 PM 12:58

TO : THE SECRETARY
FEDERAL MARITIME COMMISSION

TO : Bryant L. VanBrakle, Secretary

DATE: December 9, 2003

FROM : Rachel E. Dickon, Counsel to the Chairman 

SUBJECT : Petition No. P3-03 - Petition of United Parcel Service, Inc. for Exemption Pursuant to Section 16 of the Shipping Act of 1984 to Permit Negotiation, Entry and Performance of Service Contracts

Chairman Blust met on December 1, 2003 with representatives from the United Parcel Service. In attendance were Ms. Kathy Luhn, Senior Advisor, Tran Systems Advisors, Mr. Michael Cavanaugh, Holland & Knight, Mr. Michael G. Gargaro, VP, UPS Global Ocean Freight Services, and Mr. Thomas Jensen, UPS Public Affairs Manager.

UPS outlined for the Chairman its evolution as a logistics provider. With the acquisition of Fritz, Co. two years ago, the company created UPS Supply Chain Solutions. UPS seeks the ability to enter into service contracts so that customers can enter into true end to end contracts for service. UPS indicated that most shipper customers now seek to outsource all logistics and prefer one-stop shopping. UPS believes outsourced logistics is the fastest growing segment of its business.

UPS indicated its belief that the Commission does have the authority through Sec. 16 of the 1984 Act to give an exemption such as it seeks. Further, UPS proffered that the **Gorton** Amendment was not likely to succeed when offered, but was an indicator that the issue of service contracting authority would need to be examined down the road.

UPS expressed that it does not oppose any of the other petitions before the Commission on this issue, but does not believe that the relief others request would address **UPS' concerns**.